



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

APR 15 2005

Mr. Gregory D. Kutz
Director, Financial Management and Assurance
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Kutz:

Enclosed is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report, GAO-05-381, "DoD Business Systems Modernization: Billions Being Invested Without Adequate Oversight," dated March 16, 2005. This report is based upon the GAO review of the state of business system governance in November of 2004. The Department concurs with all four of the GAO's executive recommendations and has initiated specific actions to address each one. Our comments on the recommendations are enclosed.

The Business Transformation effort of the Department of Defense, and the activities of the Business Management Modernization Program (BMMP) have been restructured to accelerate the transformation effort, establish effective oversight of department-wide system modernization investments, and ensure continued senior leadership engagement in the transformation effort. The focus of the BMMP is to drive greater innovation and higher levels of efficiency throughout the Business Mission Area of the Department. This will be achieved by implementing DoD enterprise-level capabilities to accelerate broader, Department-wide improvements in business processes while continuously improving our financial management discipline and financial transparency.

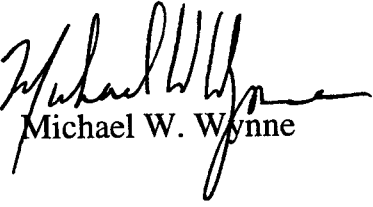
To ensure program discipline is applied to achieving these objectives, I am designating the BMMP an ACAT ID Special Interest Acquisition Program. In February, the Department established a Defense Business Systems Management Committee, chaired by the Deputy Secretary of Defense to oversee and approve all investments in business systems modernization. The Deputy designated me as the Vice Chair in the enclosed memorandum. In March, the Deputy Secretary of Defense gave me responsibility for the Department's business transformation efforts (see enclosure). The Comptroller and I have jointly designated two senior leaders with industry experience in business transformation to directly manage the transformation program. The 2005



Annual Report to the Congressional Defense Committees, "*Status of the Department of Defense's Business Management Modernization Program*," dated March 15, 2005, provides further details regarding the status and realignment of our transformation effort.

I look forward to continued engagement and discussion with the GAO as we continue our effort to transform the business operations of the Department.

Sincerely,



Michael W. Wynne

Enclosures:
As stated

GAO Draft Report – Dated March 16, 2005
GAO CODE 192141/GAO-05-381

“DoD Business Systems Modernization: Billions Being Invested Without Adequate Oversight”

DEPARTMENT OF DEFENSE COMMENTS TO THE RECOMMENDATIONS:

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense direct that the DOD Chief Information Officer, in consultation with the domains, review the 56 systems reclassified from business systems to national security systems, to determine how these should be properly reported in the Fiscal Year 2007 Information Technology budget request. (p. 44/GAO Draft Report)

DOD RESPONSE: Concur. The DoD Chief Information Officer will conduct a review of the 56 systems that were reclassified from Business Systems to National Security Systems to determine if they were correctly reported and to address how to properly reflect these systems in future year Information Technology budget request.

RECOMMENDATION 2: The GAO recommended that the Secretary of Defense direct that the Defense Business Systems Management Committee work with the domain investment review boards to review the reported Business Management Modernization Program (BMMP) business systems inventory so systems are defined in accordance with the definition specified in the Fiscal Year 2005 National Defense Authorization Act. (p. 44/GAO Draft Report)

DOD RESPONSE: Concur. On March 17, 2005, the DoD Deputy Chief Information Officer (DCIO) designated the DoD Information Technology Portfolio Registry (DITPR) as the interim solution Enterprise Shared Space for IT Portfolio Management data for all DoD business IT systems and, further, directed that the DoD Information Technology Registry be consolidated with DITPR by October 31, 2005. DITPR has the capability to identify all reported BMMP business systems in accordance with the definition specified in the FY 2005 Defense Authorization Act. Additionally, DITPR will also have the capability to store all other reported IT and National Security Systems.

RECOMMENDATION 3: The GAO recommended that the Secretary of Defense direct that the Defense Business Systems Management Committee to develop a comprehensive plan that addresses implementation of our previous recommendations related to the BEA and the control and accountability over business system investments. At a minimum, the plan should assign responsibility and estimated timeframes for completion.

DOD RESPONSE: Concur. Transformation leadership is developing a plan and timeline for closing out all of GAO’s open recommendations. BMMP staff has met with GAO staff to confirm steps needed to bring each recommendation to closure.

RECOMMENDATION 4: The GAO recommended that the Secretary of Defense direct that the comprehensive plan we recommend above be incorporated into the Department's second annual report due March 15, 2006 to the defense congressional committees, as required by the fiscal year 2005 defense authorization act, to help facilitate congressional oversight.

DOD RESPONSE: Concur. We will include plans to address GAO's recommendations in our next report to Congress.